

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC., FOR APPROVAL OF)	
GAS PURCHASES UNDER A SPECIAL)	CASE NO. 9038
EMERGENCY ASSISTANCE PROGRAM)	

O R D E R

On April 16, 1984, Columbia Gas of Kentucky, Inc., ("Columbia") filed with the Commission an application for approval of a special natural gas purchase from Citizens Energy Corporation ("Citizens") for use in a Special Emergency Assistance Program ("Program"). In its filing, Columbia defined the purposes of the Program as follows:

1. To provide a source of new funds for special emergency financial assistance to be used to make payments on gas bills for residential customers of Columbia who do not qualify for or who have exhausted other sources of assistance;
2. To provide a market for local production presently shut in; and
3. To reduce the uncollectable expense exposure for Columbia and thus to benefit all customers of Columbia.

Under the terms of the proposed Program, Citizens would be authorized to use up to 15 percent of transportation entitlements from Columbia's pipeline to purchase natural gas at a rate somewhat less than the rate charged Columbia by Columbia's traditional supplier. (Columbia will purchase similarly priced well head production for system supply with the remainder of the transportation entitlement.) Columbia would then purchase the gas from Citizens at Columbia's supplier's commodity rate less transportation fees. The profit made by Citizens on the sale of the gas would be placed in an Emergency Assistance Fund ("EAF") which would be administered by Winter Care of Lexington. Administrative costs for Citizens and Winter Care would be deducted from the EAF up to the amount of 10 percent each of funds available. Columbia has testified that it will incur no additional administrative costs. Included in the contracts establishing this Program are clauses detailing reports on the Program, authorizing Commission review of the various entities' accounting for EAF dollars, and giving the Commission the opportunity to help develop and/or approve the guidelines for disbursement of the EAF.

The natural gas purchased by Citizens and resold to Columbia will be transported to Columbia's distribution system by Columbia Gas Transmission Corporation as part of the latter's Phase II transportation program. Columbia has allocated 15 percent of its allotted Phase II volumes to the

Program. Columbia will purchase and transport the remaining 85 percent of its allotted volume, for less cost than its supplier's commodity rate.

This innovative and experimental program will provide funds (up to \$150 per needy household) for assisting the needy in paying their natural gas bills. The EAF will be allocated by Winter Care to assist customers of Columbia and will augment other assistance funds available to Winter Care. The Program is to be of limited duration (until July, 1985), is to be conducted on an experimental basis and is to be monitored closely by Columbia and the other parties involved. All three parties to the program have testified that the Program is a valid pilot program designed to assist rate-payers and that it should be given the opportunity to prove itself. The Attorney General, appearing on behalf of the residential consumers, also supported the proposal as a valid, experimental short term program.

The Commission, having reviewed the filings, the testimony presented at a hearing before the Commission on May 25, 1984, and having been advised, finds that:

- the Program will provide additional funds for the assistance of the needy in paying natural gas bills;
- the Program may provide a market for presently shut-in, locally produced natural gas; a beneficial finding in light of legislation recently approved

by the General Assembly mandating a policy of the Commission to facilitate the movement of locally produced natural gas;

- the Program will not place undue burdens on Columbia's customers who will not receive benefits from the program, although their rates would be lower by an insignificant amount (somewhat less than 1 cent/mcf, if Columbia itself took advantage of all the transportation entitlement);
- a benefit of the Program may well be the reduction of Columbia's uncollectable accounts from levels that otherwise might have been without the program;
- a full accounting of the EAF should be provided to the Commission on a monthly basis upon completion of the Program;
- Columbia should not increase its administrative expenses as a result of the Program; and
- the guidelines for disbursement of the EAF to the needy as developed by Winter Care should be submitted to the Commission for approval prior to the disbursement of any funds. It should be noted that additional Winter Care funds may be needed to augment the EAF disbursements in order to assure effective assistance to the needy since Commission regulations require \$200 in some instances for emergency reconnection.

IT IS THEREFORE ORDERED that Columbia Gas of Kentucky be and it hereby is granted authority to enter into experimental gas purchases under the Special Emergency Assistance Program as outlined in Columbia's filing.


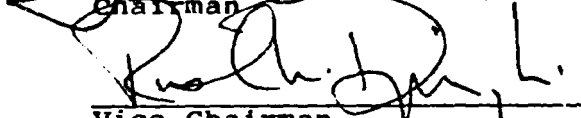

IT IS FURTHER ORDERED that Columbia Gas of Kentucky shall certify to the Commission by letter upon implementation of the Program that the natural gas being purchased from Citizens is produced locally or, in the alternative, that it is less expensive to Citizens than local production would be (with documentation).

IT IS FURTHER ORDERED that Columbia Gas of Kentucky shall provide the Commission with a full accounting for the EAF (including but not limited to receipts, deductions and disbursements) upon completion of the Program in July, 1985. Included with the complete accounting shall be Columbia's assessment of the Program.

IT IS FURTHER ORDERED that Columbia Gas of Kentucky shall in accordance with the provisions of the Columbia/Winter Care contract submit the guidelines for disbursement of the EAF to the Commission for approval and/or revision prior to disbursement of any funds.

Done at Frankfort, Kentucky, this 28th day of June, 1984.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary